BCPROGRESSBOARD

MEASURING BC'S PERFORMANCE – REACHING NORTH STAR 2010

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BC Progress Board

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i. Executive Summary

The BC Progress Board has two mandates:

- Benchmarking BC's performance over time and relative to other jurisdictions; and,
- Providing strategic advice to the Premier and government on measures to improve BC's economic performance and its social policy supports.

The *Interim Report* provides an advance snapshot of BC's recent economic performance based on Statistics Canada's **preliminary** release of its Provincial Economic Accounts for 2003. Statistics Canada **final** data will include revisions that may affect rankings in the Progress Board's Fourth Annual Report scheduled for release later this Fall. The 2004 *Interim Report* also includes a Special Report on BC's current and projected demographic profile.

BC's Recent Economic Performance

BC's annual rate of real economic growth, on a per person basis, improved to 4th place in Canada (2003) from 8th during 2002. BC maintained 3rd place position for the level of after-tax income per capita (2003), unchanged from last year's report. BC placed 6th among the provinces for the employment-to-population ratio (ages 15-64, 2003), an improvement from 7th place in 2002.

BC's position did not change on four of six other economic indicators in the *Interim Report*. BC placed 2nd in Canada (2003) for the level of real average hourly wages, 8th for exports (goods and services per capita, 2003), 6th for business investment (residential and non-residential, 2003), and 2nd best for top marginal personal income tax rate in 2004 (only Alberta has a lower rate). BC placed 6th for productivity (2003), down from 4th in 2002 and 5th for research and development spending as a percentage of GDP (2001), down from 4th place (2000) on restated data.

Special Topic: Demographic Change in British Columbia

This year's *Interim Report* includes a special report on BC demographic change. Over the next four decades developed countries – and by extension their sub-national jurisdictions – will experience significant population ageing. Among the findings:

- Declining fertility rates and increasing life expectancy are resulting in ageing populations in most western jurisdictions, including BC;
- BC has more of its population in the 65 and older age cohort than Canada as a whole (13.3% versus 12.7%) and a higher median age (38.4 years versus 37.6);
- In 1950, the under-15 population group was 29.7% of the total and the over-64 population group was 7.7%. In 2000 those under-15 were 19.1% of the total versus 12.6% for those over-64. By 2050, 16.3% of the Canadian population will be under-15, while fully 24.3% will be over age 64;
- Health care will be more affected than other social spending by population ageing;
- Health care costs are significantly higher for the elderly than young people – in 2001, 7.3% of public and private health care spending went to those under age 14, while 14.7% went to those over 85 years;
- BC's elderly dependency ratio is expected to increase, placing upward pressure on health care costs;
- BC may not receive an equitable share of federal dollars under the new Canadian Health Transfer (CHT); the province has a slightly older population than the national average and the CHT is funded on a per capita basis; and,
- The knowledge of looming spending pressures underscores the need for debt/deficit control, improved economic growth, and innovative approaches to health care and social service administration.

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I. Introduction

The BC Progress Board is an Independent Panel of 16 senior business and academic leaders established by Premier Gordon Campbell in July 2001. The Progress Board has two mandates:

- To provide advice on whether and to what extent the province is improving its competitive position and quality of life by establishing means to measure and benchmark British Columbia's performance over time and relative to other jurisdictions; and,

- To identify issues of importance to the province's future economic prosperity and advise the Premier on strategies, policies and actions necessary to increase the economic and social well-being of British Columbians.

To date the Board has issued Annual Benchmarking Reports for 2001, 2002 and 2003. The Board's Third Annual Benchmarking Report, *Measuring BC's Performance – Reaching North Star 2010*, was released in December 2003. Last year, the Board introduced an *Interim Benchmarking Report*. The Board's strategic advisory mandate has been expressed through two reports to date – one on BC's regional economies and one on provincial education, skills, training and technology transfer.

The Progress Board relies heavily on Statistics Canada economic data for much of its benchmarking work. Final data for the Board's Fourth Annual Comprehensive Benchmarking Report will not become available until late November of this year. However, Statistics Canada's **preliminary** release of provincial economic accounts data provides the opportunity to issue an *Interim Benchmarking Report* focusing on economic performance. Because rankings in this report are based on **preliminary** data, readers are cautioned that final data available in the Fall may result in **revised rankings** in the final report. The Progress Board's Fourth Annual Benchmarking Report, scheduled for release in December 2004, will include final economic data for 2003, along with annual updates to innovation, education, environment, health and society measures.

The Progress Board's *Interim Report* is intended to provide policy makers and the public with an advance snapshot of how British Columbia is performing in relation to the 2010 economic benchmarks established by the Board. The Progress Board believes that regular reporting on its "North Star" 2010 benchmarks will keep the public and governments focused on improving overall provincial performance. Also included, as a special topic, is a brief assessment of the demographic changes that BC can expect to see between now and 2031.

The indicators included in this report are taken from the Economy, Innovation and Education section of the Progress Board's main set of indicators. The table on the following page matches the *Interim Indicators* in this report with the core Performance Indicators which are included in our annual comprehensive benchmarking report. All indicators listed in the table will be updated in the December 2004 release.

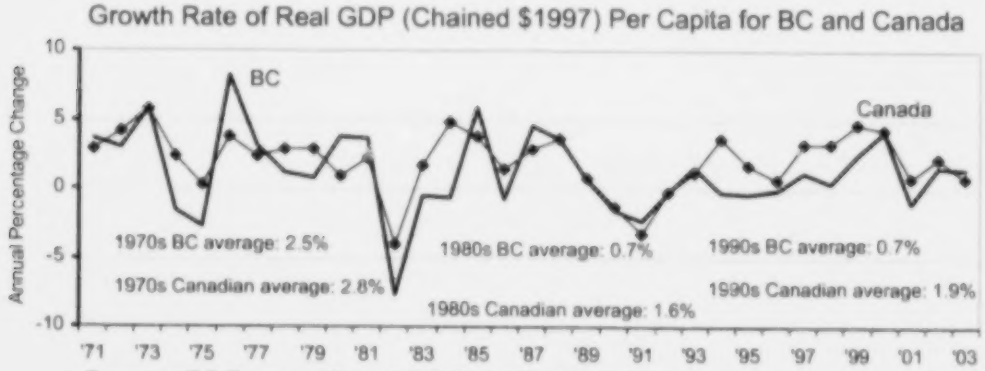
Indicators in the Interim and Main Benchmarking Reports

2004 Interim Benchmarking Report	2004 Fourth Annual Benchmarking Report
Interim Core Target 1	**Core Target 1**: Economic Growth
Interim Core Target 2	**Core Target 2**: Standard of Living
Interim Core Target 3	**Core Target 3**: Jobs
Interim Indicator 1	Performance Indicator 1: Real Average Hourly Wage
Interim Indicator 2	Performance Indicator 2: Productivity
Interim Indicator 3	Performance Indicator 3: Exports
N/A	Performance Indicator 4: Debt
N/A	Performance Indicator 5: Tax Burden
Interim Indicator 4	Performance Indicator 6: Tax Rate
N/A	Performance Indicator 7: Surplus/(Deficit)
N/A	Performance Indicator 8: Migration
Interim Indicator 5	Performance Indicator 9: Business Investment
N/A	Performance Indicator 10: Secondary School Graduates
N/A	Performance Indicator 11: University Completion
Interim Indicator 6	Performance Indicator 12: R & D
N/A	Performance Indicator 13: Natural and Applied Science and Rel. Occ.
N/A	**Core Target 4**: Environmental Quality
N/A	**Core Target 5**: Health Outcomes
N/A	**Core Target 6**: Social Condition
N/A	Performance Indicator 14: Air Quality
N/A	Performance Indicator 15: Greenhouse Gas Emissions
N/A	Performance Indicator 16: Wastewater Treatment
N/A	Performance Indicator 17: Protected Areas
N/A	Performance Indicator 18: Cancer Mortality
N/A	Performance Indicator 19: Low Birth Weight
N/A	Performance Indicator 20: Personal and Property Crime

*N/A – Interprovincial data updates not available for this Interim Report. Full updates will be included in the December 2004 Fourth Annual Benchmarking Report.

II. Interim Report on BC's Economic Performance

The BC Progress Board believes that a healthy and prosperous society requires a vibrant economy. Unfortunately, BC's economic performance has languished during much of the past 20 years as demonstrated in the chart below.


Growth Rate of Real GDP (Chained $1997) Per Capita for BC and Canada
Annual Percentage Change
10
5
0
-5
-10
BC
Canada
1970s BC average: 2.5%
1970s Canadian average: 2.8%
1980s BC average: 0.7%
1980s Canadian average: 1.6%
1990s BC average: 0.7%
1990s Canadian average: 1.9%
'71 '73 '75 '77 '79 '81 '83 '85 '87 '89 '91 '93 '95 '97 '99 '01 '03

Sources: BC Progress Board; BC Stats; Statistics Canada.

In fully 14 of the past 20 years, BC has trailed the national average annual growth rate of real GDP per capita; that is, the total amount of goods and services produced expressed on a per person basis. In 2003, BC exceeded the national average growth rate for real GDP per capita for the first time in ten years.

The Progress Board continues to believe that British Columbia possesses all the inherent attributes to become a national – and eventually global – leader. These include:

- Abundant resources and a natural beauty renowned throughout the world;
- Unique location between Europe and Asia;
- High quality infrastructure to transport goods, services and people;
- A diverse, multicultural society and increasingly well-educated workforce; and,
- Stable institutions and the rule of law.

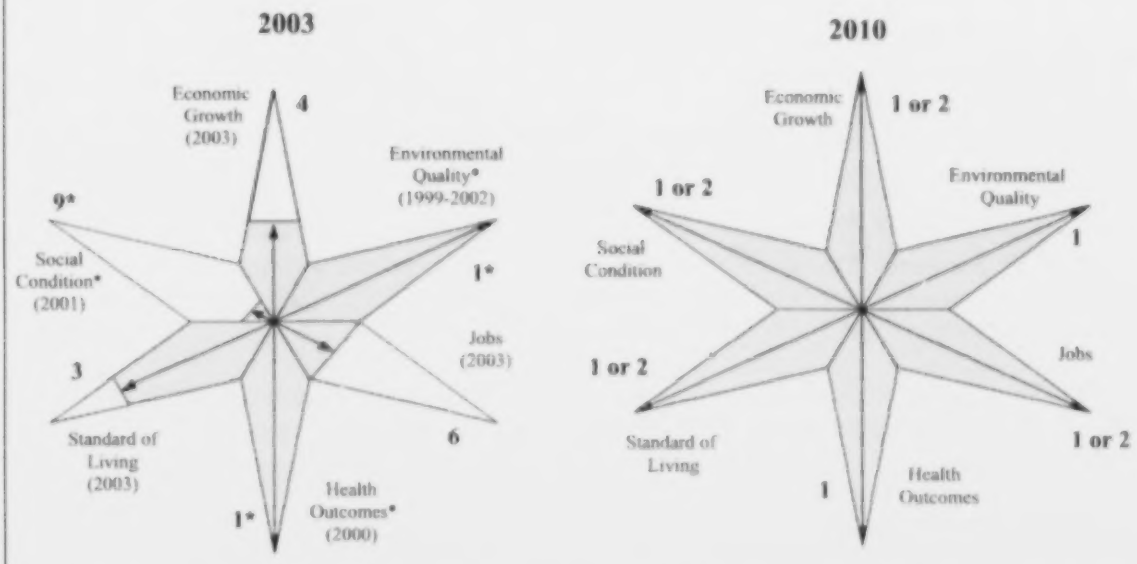
Mindful of those attributes the Progress Board set two overarching goals for British Columbia:

- Make BC a leader in Canada for economy, innovation and education by 2010; and,
- Make BC a leader in Canada for environmental quality, health outcomes and social condition by 2010.

Attendant to these two over-arching goals, the BC Progress Board has established six leadership benchmarks or "core targets" for restoring the province to a leadership position by 2010. We have expressed these targets in terms of BC "navigating" towards its own North Star by 2010. This is portrayed graphically in the box on the following page.

Overall, BC improved its economic growth performance between 2002 and 2003 by moving from 8th to 4th rank in the annual growth rate of real GDP per capita, a common measure of economic vitality. The province also maintained its 3rd place ranking for the overall level of real personal disposable income per capita, the Board's key measure of standard of living. In addition, BC improved to 6th place on the employment to population ratio for those aged 15-64. The table on page five summarizes BC's performance relative to other provinces on economic indicators currently available on a preliminary basis for 2003.

North Star – BC in 2003 and 2010



Notes: The Progress Board's benchmarking framework – by mandate and design – robustly compares BC's performance relative to other jurisdictions. Not all data are available on an inter-jurisdictional basis in time for this *Interim Report*. The full array of economy, innovation, and education indicators along with environment, health and society measures will be included within the Fourth Annual Benchmarking Report of the BC Progress Board, scheduled for release in December 2004.

*Not updated in this report.

The most recent year of data available is indicated in brackets.

ICT 1: Economic Growth - Real GDP Per Capita

British Columbia posted the smallest gains in real GDP per capita between 1994 and 2003 but recorded the 4th highest growth between 2002 and 2003 among the provinces. In 2003, BC's level of real GDP per capita was 4th among provinces at $31,572, versus the Canadian average of $34,553. BC's annual growth rate of real GDP per capita pulled ahead of the national average in 2003, the first time this has happened in 10 years.

2003 Interim Performance Rank (and rank for 2 previous years)							
	Interim Indicator	Most Recent	Strong (1-3/10)	Middling (4-7/10)	Weak (8-10/10)	Rank relative to 2003 Benchmarking Report Rank	
ICT1	**Economic Growth**	2003		**4 (8, 10)**		Improvement	↑
ICT2	**Standard of Living**	2003	**3 (3, 3)**			No Change	–
ICT3	**Jobs**	2003		**6 (7, 6)**		Improvement	↑
II1	Real Average Hourly Wage	2003	**2 (2, 1)**			No Change	–
II2	Productivity	2003		**6 (4, 4)**		Deterioration	↓
II3	Exports	2003			**8 (8, 7)**	No Change	–
II4	Tax Rate	2004	**2 (2, 2)**			No Change	–
II5	Business Investment	2003		**6 (6, 5)**		No Change	–
II6	R&D	2001		**5 (4*, 5)**		Deterioration	↓
Sub-Total			**3**	**5**	**1**		

*2000 rank changed due to data revisions
ICT = Interim Core Target
II = Interim Indicator

ICT 2: Standard of Living - Real Personal Disposable Income Per Capita

In 2003, British Columbia had the 3rd highest real personal disposable income per capita in Canada at $19,495. Incomes in Alberta and BC were essentially equal in 1994, but by 2003 Alberta enjoyed a $3,666 lead over BC. In 1994, BC's real personal disposable income per capita was $741 above the Canadian average of $18,906. BC remained above the national average until 1998, when it began to fall behind. In 1998, BC was $145 below the average and by 2003 it was $951 below the average.

ICT 3: Jobs - Employment Rate (age 15 to 64)

From 1994 to 2003, BC consistently stayed in the mid-range for the employment rate in Canada. In 2003, BC lagged behind the leading provinces with an employment rate of 70.0%, placing it 6th overall in Canada. The Canadian average in 2003 was 72.1%, compared to 77.8% in Alberta and 73.4% in Ontario. Until 1998, BC had an above average employment rate within Canada, but it has lagged since. However, in 2003 the gap between BC and Canada improved for the first time since 1994.

II 1: Real Average Hourly Wage

In 1994, British Columbia ranked 2nd in Canada with a real average hourly wage of $16.14. British Columbia also ranked 2nd in 2003 with a real average hourly wage of $15.67, behind Ontario at $15.94 and ahead of Alberta at $14.99.

II 2: Productivity - Real GDP Per Hour Worked in the Business Sector

In 2003, British Columbia ranked 6th in Canada on this measure of productivity. Alberta and Ontario held the number one and two ranks through the entire 1994 to 2003 period of analysis. Newfoundland and Labrador (33.4%) and Quebec (24.5%) saw the largest percentage increases in productivity between 1994 and 2003; BC's increase for this time period was 12.9%, ahead of Alberta at 10.5%.

II 3: Exports - Total Exports of Goods and Services (1997$) Per Capita

In 2003, BC's exports per capita were $13,723, giving it an 8th place rank among Canadian provinces. Between 1994 and 2003, BC's per capita exports increased by an annual average rate of 1.6%. This rate of growth was the lowest in Canada. In comparison, Alberta increased its exports at an average annual rate of 2.7% over the period. This was the second smallest growth in Canada, but Alberta's exports in 2003 stood at $23,442 per capita, the second highest in the country. Ontario's per capita exports rose at an annual average rate of 4.1% between 1994 and 2003. In 2003, Ontario had the highest per capita exports in Canada at $24,895. Newfoundland and Labrador's per capita exports grew by an average of 11.4% per year between 1994 and 2003 and exceeded BC's by $3,435 in 2003.

II 4: Tax Rate - Top Marginal Personal Income Tax Rate

From 1994 to 1998, BC had the highest top marginal personal income tax rate in Canada at 54.2%. Alberta has had the lowest top marginal tax rate throughout the entire 1994 to 2004 period. In 2004, BC's top marginal personal tax rate stands at 43.7%, 2nd lowest in the country behind Alberta at a rate of 39.0%. The province of Newfoundland and Labrador has the highest 2004 rate at 48.6%.

II 5: Business Investment - Business Gross Fixed Capital Formation as a Percent of GDP

In 2003, business gross fixed capital formation was equal to 17.7% of BC's GDP, which equaled the Canadian average. Alberta led the pack with investment equal to 30.2% of GDP. With 2002 to 2003 growth on this important measure at 5.9%, British Columbia ranked 3rd behind New Brunswick at 14.0% and Prince Edward Island at 7.1%. The national average was a 3.0% increase.

II 6: R&D - Research and Development Spending as a Percent of GDP

In 2001, spending on research and development as a percent of GDP in BC (1.27%) trailed Quebec (2.67%), Ontario (2.47%), Nova Scotia (1.40%) and Manitoba (1.28%). Over the period 1992 to 2001, seven provinces saw their ratio of R&D spending to GDP increase. The largest increases were in Prince Edward Island (68.8%), Quebec (34.9%) and Ontario (27.3%); BC's ratio increased by 26.2%. In 2001, $6.2 billion was expended on R&D in Quebec, compared to $1.7 billion in BC and $1.5 billion in Alberta. Ontario led the way with $11.2 billion in that year.

III. 2003 Results – Interim Indicators

Goal

Make BC a leader in Canada for economy, innovation and education by 2010.

Targets

1. **Economic Growth**: Target 1st or 2nd among the provinces in the growth of real GDP per capita by 2010.
2. **Standard of Living**: Target 1st or 2nd in Canada for the level of real personal disposable income per capita by 2010.
3. **Jobs**: Target 1st or 2nd in Canada for the employment rate among those aged 15 to 64 by 2010.

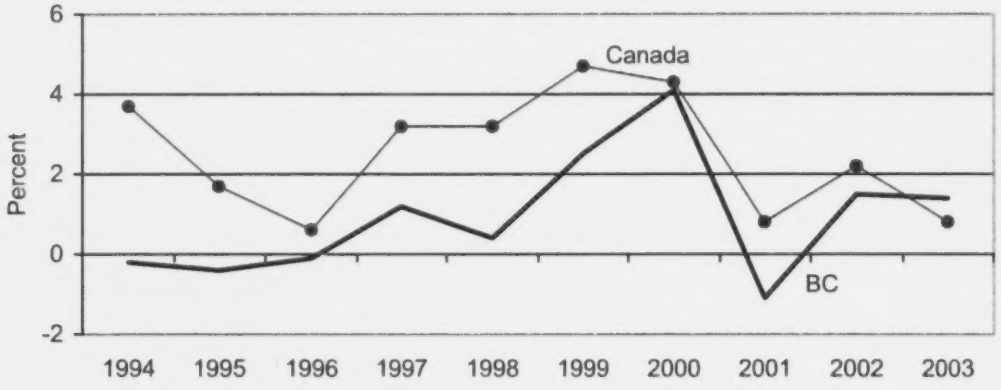
Concordance of Interim Indicators With 2003 Report

2004 Interim Benchmarking Report	2003 Main Benchmarking Report
Interim Core Target 1	**Core Target 1:** Economic Growth
Interim Core Target 2	**Core Target 2:** Standard of Living
Interim Core Target 3	**Core Target 3:** Jobs
Interim Indicator 1	Performance Indicator 1: Real Average Hourly Wage
Interim Indicator 2	Performance Indicator 2: Productivity
Interim Indicator 3	Performance Indicator 3: Exports
Interim Indicator 4	Performance Indicator 6: Tax Rate
Interim Indicator 5	Performance Indicator 9: Business Investment
Interim Indicator 6	Performance Indicator 12: R & D

Note: The indicators included in this report are taken from the Economy, Innovation and Education section of the Progress Board's main set of indicators. These indicators are renumbered in this report for clarity. The concordance table matches the *Interim Indicators* in this report with the Performance Indicators found in "Measuring BC's Performance – Reaching North Star 2010", the Third Annual Benchmarking Report of the BC Progress Board released in December 2003.

Interim Core Target 1 Economic Growth — Economy, Innovation and Education

Growth Rate of Real GDP Per Capita, BC and Canada, Annual Percentage Change



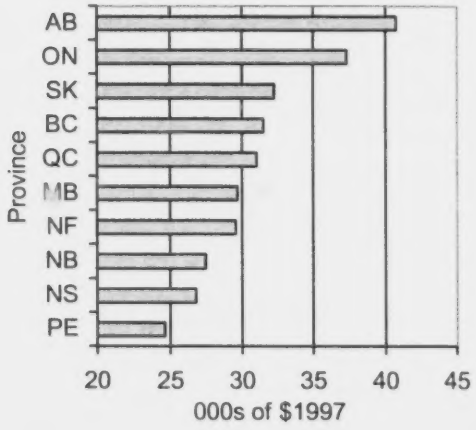
Sources: BC Progress Board; BC Stats; Statistics Canada.

Description

Economic growth (i.e., the change of real GDP per capita) is a key measure of economic prosperity, expressed in terms of the value of output (goods and services produced) per person.

Gross Domestic Product is the value added to the economy by current productive activities of individuals, businesses, governments and non-residents (who may purchase and sell goods and services to British Columbians).

Level of Real GDP Per Capita, 2003



Why it's Important

The growth rate of real GDP per capita is an effective measure of changes in the prosperity of a jurisdiction and its population. Slower growth in real GDP per capita results in lower levels of purchasing power, real personal income, and real wages and salaries. If real GDP per capita increases faster than the population, then the size of the "economic pie" is growing on a per person basis.

Where BC Ranks (1st Best – 10th Worst)

By Province	2001 10th	2002 8th	2003 **4th**
Period Progress Rank	1992-2001 10th	1993-2002 10th	1994-2003 **10th**

How Does BC Compare?

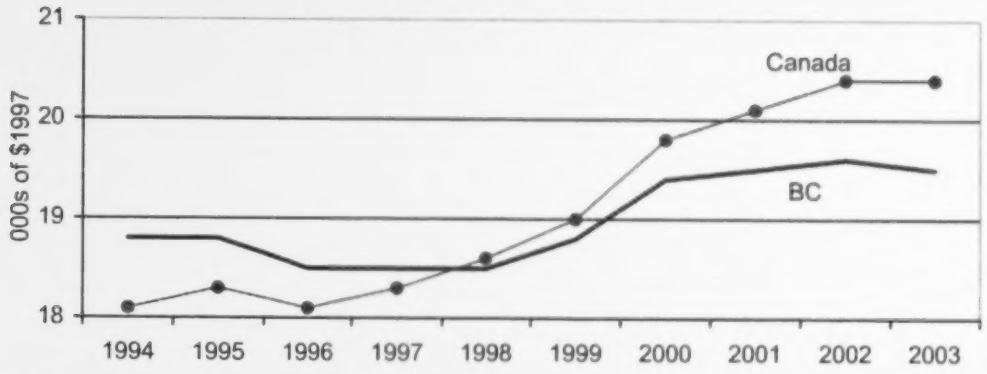
British Columbia posted the smallest gains in real GDP per capita between 1994 and 2003, but recorded the fourth highest growth between 2002 and 2003 among the provinces. From 1994 to 2003, BC experienced average annual growth of 0.9%, compared to 2.0% in Alberta, 2.6% in Ontario and 5.4% in Newfoundland and Labrador.

In 2003, BC's level of real GDP per capita was 4th among provinces at $31,572, versus the Canadian average of $34,553. BC's annual growth rate of real GDP per capita pulled ahead of the national average in 2003, the first time in 10 years.

Note: This exposition is based on preliminary data which will be revised for the December release of the 2004 Benchmarking Report.

Interim Core Target 2 Standard of Living — Economy, Innovation and Education

Real Personal Disposable Income Per Capita, BC and Canada



Sources: BC Progress Board; BC Stats; Statistics Canada.

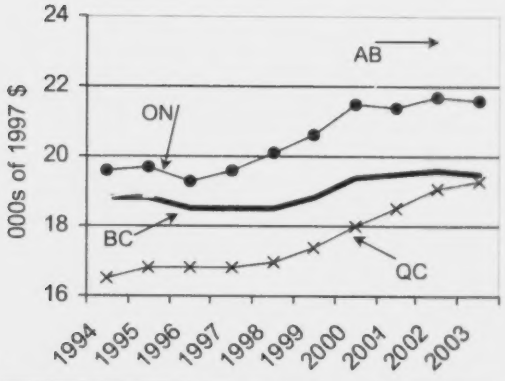
Description

Real personal disposable income per capita represents total income minus certain taxes paid to all levels of government (e.g., income taxes, contributions to social security, etc.) and various fees such as medical insurance premiums, measured in 1997 dollars and expressed on a per person basis. It includes income earned by all residents of the province, regardless of where it was earned.

Why it's Important

Real personal disposable income per capita provides an accurate indication of individuals' spending power and standard of living.

Provinces - Real Personal Disposable Income Per Capita



Where BC Ranks (1st Best – 10th Worst)

By Province	2001	2002	2003
	3rd	3rd	**3rd**
1-Year Progress Check	2000-2001	2001-2002	2002-2003
	8th	9th	**8th**
Period Progress Rank	1992-2001	1993-2002	1994-2003
	10th	10th	**10th**

How Does BC Compare?

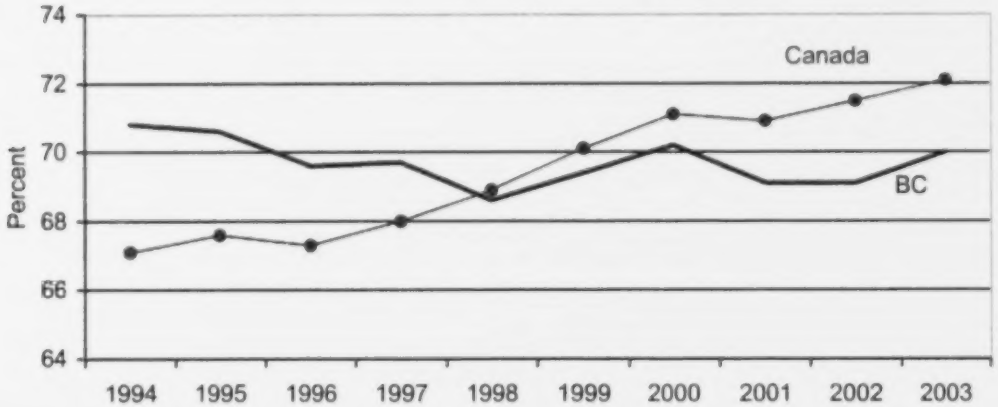
In 2003, British Columbia had the 3rd highest real personal disposable income per capita in Canada at $19,495, down $81 (0.4%) from 2002. Incomes in Alberta and BC were essentially equal in 1994, but by 2003 Alberta enjoyed a $3,666 lead over BC. In 1994, BC's real personal disposable income per capita was $741 above the Canadian average of $18,906. BC remained above the national average until 1998, when it began to fall behind. In 1998, BC was $145 below the average and by 2003 it was $951 below the average.

BC had the smallest increase among the provinces in real personal disposable income per capita (3.5%) between 1994 and 2003. Four provinces (Alberta, Newfoundland and Labrador, Quebec and Saskatchewan) had growth above 15.0% over this time period.

Note: This exposition is based on preliminary data which will be revised for the December release of the 2004 Benchmarking Report.

Interim Core Target 3 Jobs — Economy, Innovation and Education

Employment Rate (Ages 15 to 64), BC and Canada



Sources: BC Progress Board; BC Stats; Statistics Canada.

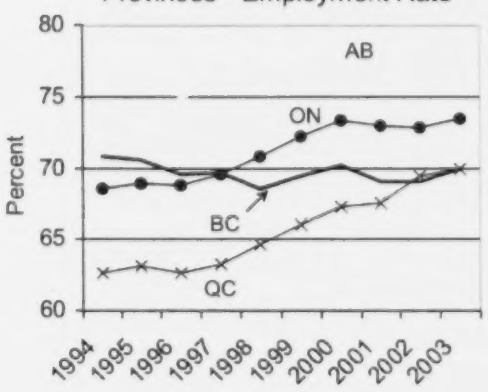
Description

This indicator shows, for the population aged 15 to 64 years, the number of employed persons (i.e. working for pay or profit, doing unpaid work contributing to the operation of a family farm or business) expressed as a percentage of the total.

Why it's Important

The employment rate is an effective measure of the rate of labour utilization. Higher labour utilization traditionally accompanies strong economic activity.

Provinces - Employment Rate



Where BC Ranks (1st Best – 10th Worst)

By Province	2001 6th	2002 7th	2003 **6th**
1-Year Progress Check	2000-2001 9th	2001-2002 9th	2002-2003 **5th**
Period Progress Rank	1992-2001 10th	1993-2002 10th	1994-2003 **10th**

How Does BC Compare?

From 1994 to 2003, BC consistently stayed in the mid-range for the employment rate in Canada. In 1994, it ranked 4th overall in Canada with a rate of 70.8%, compared to 73.3% in Alberta and 68.5% in Ontario.

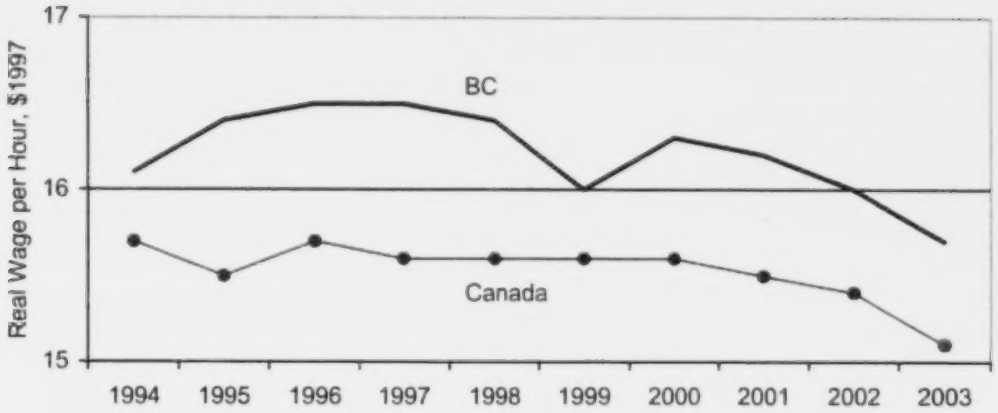
The Canadian average in 2003 was 72.1%, compared to 77.8% in Alberta and 73.4% in Ontario. In 2003, BC lagged behind the leading provinces with an employment rate of 70.0%, placing it 6th overall in Canada, marking an improvement from 7th place in 2002.

Until 1998, BC had an above average employment rate within Canada, but it has lagged since. However, in 2003 the gap between BC and Canada improved for the first time since 1994, due to robust year over year job growth.

Note: This exposition is based on preliminary data which will be revised for the December release of the 2004 Benchmarking Report.

Interim Indicator 1 Real Average Hourly Wage — Economy, Innovation and Education

Real Average Hourly Wage in BC and Canada, $1997



Sources: BC Progress Board; BC Stats; Statistics Canada.

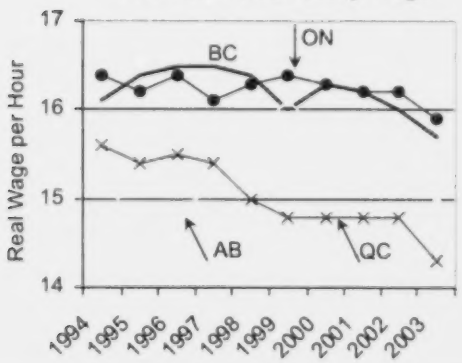
Description

This indicator measures inflation-adjusted average hourly wages earned by workers and is calculated and ranked from the worker's point of view.

Why it's Important

Real average hourly wages are a useful measure of individual prosperity. Flat real wages indicate that wage earners are simply keeping up with increases in living expenses.

Provinces - Real Hourly Wage



Where BC Ranks (1st Best – 10th Worst)

By Province	2001	2002	2003
	1st	2nd	**2nd**
1-Year Progress	2000-2001	2001-2002	2002-2003
	3rd	9th	**6th**
Period Progress	1992-2001	1993-2002	1994-2003
	8th	7th	**6th**

How Does BC Compare?

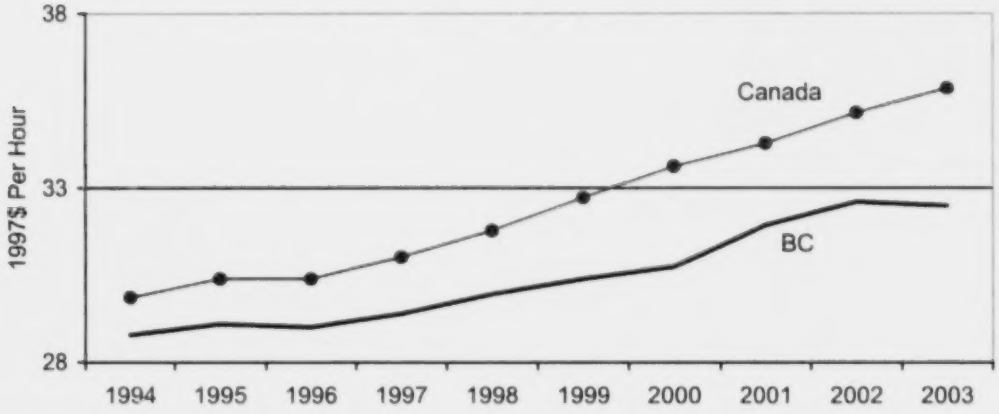
In 1994, British Columbia ranked second in Canada with a real average hourly wage of $16.14. In 2003, British Columbia ranked 2nd with a real average hourly wage of $15.67, behind Ontario at $15.94 and ahead of Alberta at $14.99.

The real average hourly wage in BC fell by 2.9% between 1994 and 2003, which earned it a 7th place rank among the provinces. Newfoundland and Labrador and Prince Edward Island had growth of 7.0% than 5.9%, respectively while Alberta saw a decline of 1.6%, and Quebec's hourly wage fell by 8.1%.

Note: This exposition is based on preliminary data which will be revised for the December release of the 2004 Benchmarking Report.

Interim Indicator 2 Productivity — Economy, Innovation and Education

Real GDP per Hour Worked (Business Sector), BC and Canada

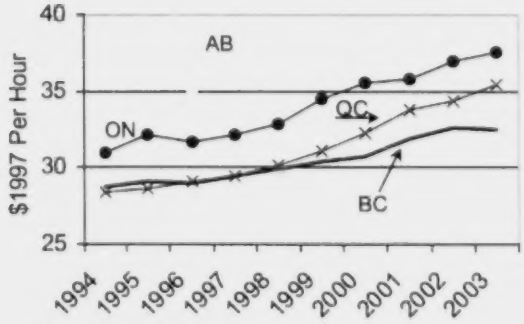


Sources: BC Progress Board; BC Stats; Statistics Canada.

Description

There are many different measures of productivity, but perhaps the best is real GDP per hour worked in the business sector. This is a good measure of the overall efficiency of the economy. Thus for every hour of labour in BC, workers produce a given amount of GDP.

Provinces - Productivity



Why it's Important

Growth in productivity is essential to improving income levels, public services and, ultimately, the standard of living. If productivity fails to increase, a jurisdiction's living standards will eventually decline.

Where BC Ranks (1st Best – 10th Worst)

By Province	2001 4th	2002 4th	2003 **6th**
1-Year Progress Check	2000-2001 3rd	2001-2002 6th	2002-2003 **10th**
Period Progress Rank	1992-2001 10th	1993-2002 9th	1994-2003 **10th**

How Does BC Compare?

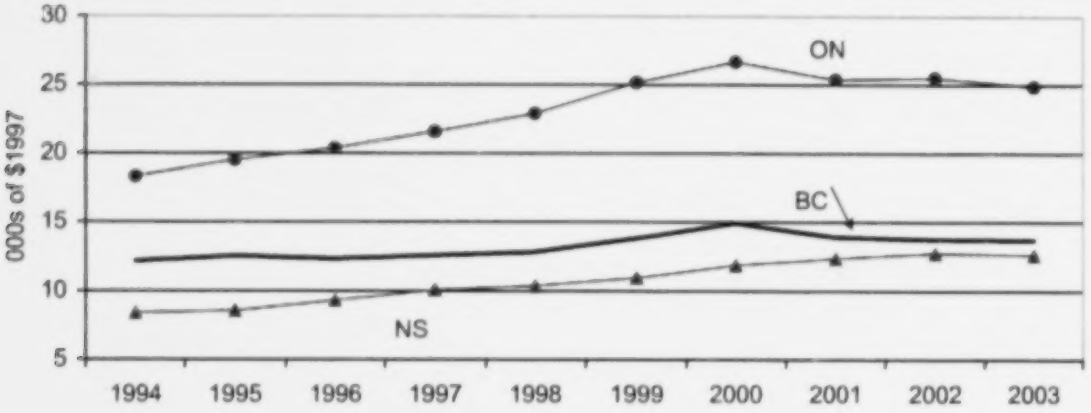
In 2003, British Columbia ranked 6th in Canada on this measure of productivity. Alberta and Ontario held the number one and two ranks through the entire 1994 to 2003 period of analysis. Newfoundland and Labrador (33.4%) and Quebec (24.5%) saw the largest percentage increases in productivity between 1994 and 2003; BC's increase for this time period was 12.9%, ahead of Alberta at 10.5%.

In 1994, Alberta led BC in real GDP per hour (business sector) by $6.77 (23.5%); by 1998 the gap had increased to $8.35 (27.9%) and has since fallen to $6.81 (21.0%). Eight provinces made gains on BC of between $0.04 and $4.75 in real GDP per hour between 1994 and 2003. Prince Edward Island had a loss of $0.83 compared to BC over the same period.

Notes: Data excludes government services and health and education, even though some of these functions are provided by the private sector. This exposition is based on preliminary data which will be revised for the December release of the 2004 Benchmarking Report.

Interim Indicator 3 Exports — Economy, Innovation and Education

Total Exports of Goods and Services ($1997) Per Capita, BC and Highest and Lowest in Canada*



Sources: BC Progress Board; BC Stats; Statistics Canada.

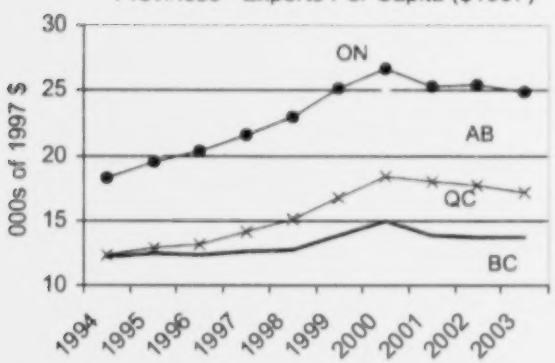
Description

This indicator measures the total amount of goods and services exported to international and inter-provincial jurisdictions from Canadian provinces, on a per capita basis.

Why it's Important

Strong exports tend to increase productivity and income levels in a jurisdiction due to additional markets available beyond the domestic market.

Provinces - Exports Per Capita ($1997)



Where BC Ranks (1st Best – 10th Worst)

By Province	2001 7th	2002 8th	2003 **8th**
1-Year Progress Check	2000-2001 10th	2001-2002 7th	2002-2003 **4th**
Period Progress Rank	1992-2001 10th	1993-2002 10th	1994-2003 **10th**

How Does BC Compare?

In 1994, BC posted total exports per capita of $12,167. By 2003, BC's exports per capita had climbed to $13,723, giving it an 8th place rank among Canadian provinces. Between 1994 and 2003, BC's per capita exports increased by an annual average rate of 1.6%. This rate of growth was the lowest in Canada.

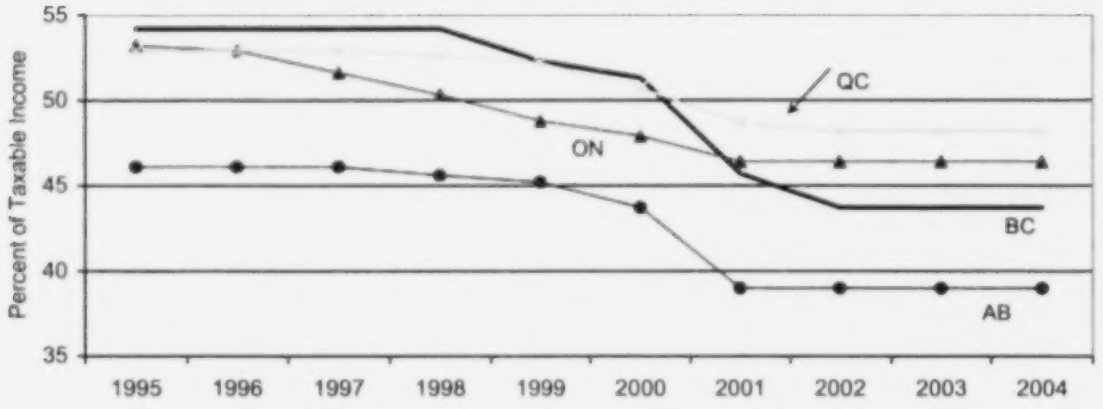
In comparison, Alberta increased its exports at an average annual rate of 2.7% over the period. This was the second smallest growth in Canada, but Alberta's exports in 2003 stood at $23,442 per capita, the second highest in the country.

Ontario's per capita exports rose at an annual average rate of 4.1% between 1994 and 2003. In 2003, Ontario had the highest per capita exports in Canada at $24,895. Newfoundland and Labrador's per capita exports grew by an average of 11.4% per year between 1994 and 2003 and exceeded BC's by $3,435 in 2003.

Notes: *A Canadian average is not available for this indicator because of Statistics Canada's switch to the Fisher index formula. This exposition is based on preliminary data which will be revised for the December release of the 2004 Benchmarking Report.

Interim Indicator 4 — Tax Rate — Economy, Innovation and Education

Top Marginal Personal Income Tax Rate for British Columbia, Alberta, Ontario, and Quebec



Sources: BC Progress Board; BC Stats; BC Ministry of Finance; KPMG.

Description

The top marginal personal income tax rate is the combined federal-provincial income tax rate levied on the highest income bracket. The top rate takes effect at various income thresholds as noted in the box below.

Why it's Important

The top marginal (combined federal and provincial) income tax rate is a key factor in a jurisdiction's ability to attract and retain highly skilled workers and leading innovators. High marginal tax rates tend to discourage additional work effort and lessen the growth of real GDP.

Where BC Ranks (1st Best – 10th Worst)

By Province	2002 2nd	2003 2nd	2004 **2nd**
1-Year Progress Check	2001-2002 1st	2002-2003 2nd	2003-2004 **1st***
Period Progress Rank	1993-2002 3rd	1994-2003 3rd	1995-2004 **1st**

How Does BC Compare?

From 1994 to 1998, BC had the highest top marginal personal income tax rate in Canada at 54.2%. Newfoundland was the closest province to BC with a rate of 53.3% between 1996 and 1998.

Alberta has had the lowest top marginal tax rate throughout the entire 1994 to 2004 period. Alberta's highest rate over this period was at 46.1%, in place from 1994 through 1997. The gap between BC's and Alberta's rates has narrowed from 8.1 percentage points in 1994 to 4.7 percentage points in 2004.

In 2004, BC's top marginal personal tax rate stands at 43.7%, 2nd lowest in the country behind Alberta at a rate of 39.0%. The province of Newfoundland and Labrador had the highest 2004 rate at 48.6%.

Federal and Provincial Top Marginal Tax Rates and Income Thresholds for Individuals – 2004

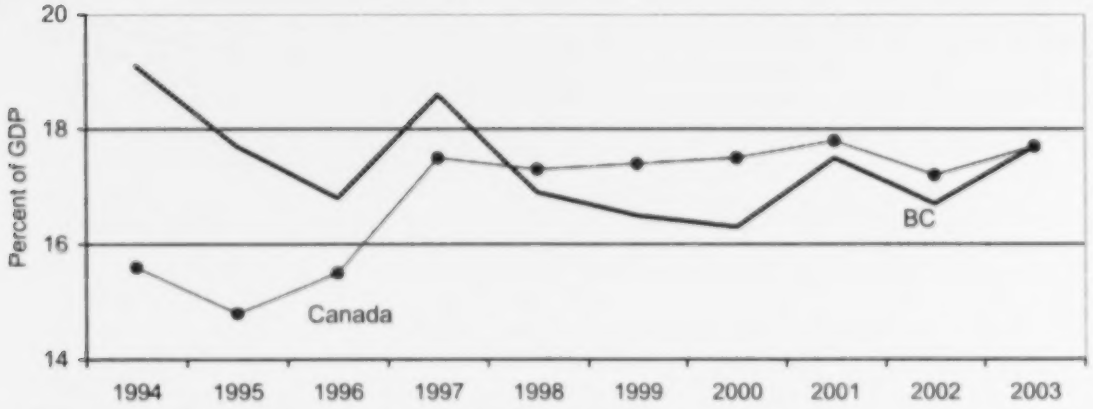
	BC	AB	SK	MB	ON**	QC***	NB	NS**	PE**	NF**	Federal
Tax Rate	14.70%	10.00%	15.00%	17.40%	17.41%	19.22%	17.84%	18.34%	18.37%	19.64%	29.00%
Income Bracket**	$90,556 and over	All income	$103,301 and over	$65,001 and over	$66,753 and over	$55,281 and over	$104,649 and over	$59,181 and over	$61,510 and over	$59,181 and over	$113,805 and over

Source: KPMG, Combined Federal and Provincial Top Marginal Tax Rates for Individuals and Federal and Provincial Tax Rates, Brackets and Surtaxes, Current as of December 1, 2003

Notes: *There were no tax rate changes among the provinces between 2003 and 2004; all provinces earned the same rank. **Ontario, Nova Scotia, Prince Edward Island and Newfoundland and Labrador levy surtaxes in their personal income tax systems; the income brackets shown are those that apply to the top statutory tax rate. ***The abatement of basic federal tax is incorporated.

Interim Indicator 5 — Business Investment — Economy, Innovation and Education

Business Gross Fixed Capital Formation, BC and Canada



Sources: BC Progress Board; BC Stats; Statistics Canada.

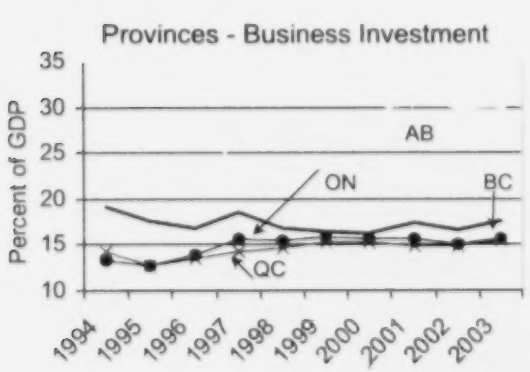
Description

This indicator measures the total amount of gross fixed business investment as a percent of GDP.

It reflects the expenditure by businesses on durable assets and on building and engineering construction. Also included is residential construction by individuals, alterations and improvements made to buildings, and transfer costs on the sale of existing assets.

Factors such as input costs, market conditions, expected rates of return, and government fiscal policy determine a jurisdiction's attractiveness for fixed business investment.

Provinces - Business Investment



Why it's Important

Business investment is perhaps the most important factor contributing to long-term economic growth and higher productivity. Without solid business investment, significant or sustained employment growth is unlikely. Periods of strong business investment are generally followed by faster economic growth and rising incomes.

Where BC Ranks (1st Best – 10th Worst)

By Province	2001 5th	2002 6th	2003 **6th**
1-Year Progress Check	2000-2001 2nd	2001-2002 9th	2002-2003 **3rd**
Period Progress Rank	1992-2001 9th	1993-2002 10th	1994-2003 **10th**

How Does BC Compare?

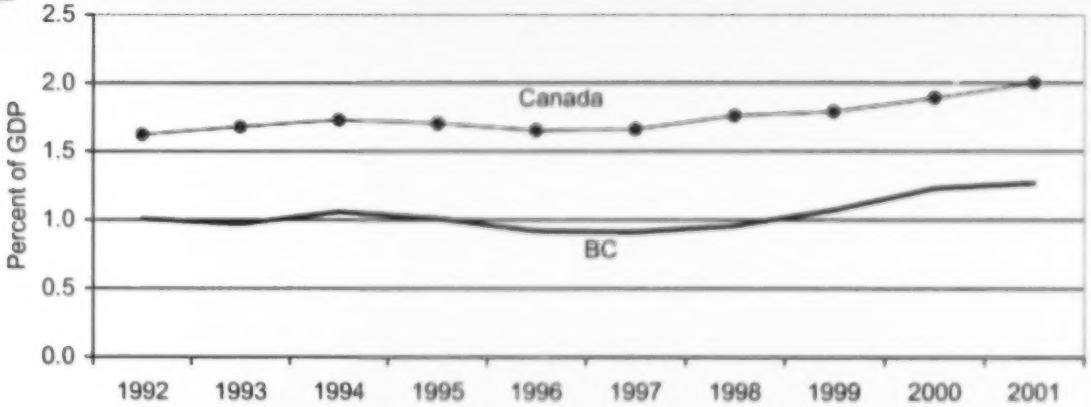
In 2003, business gross fixed capital formation was equal to 17.7% of BC's GDP, which equaled the Canadian average. Alberta led the pack with investment equal to 30.2% of GDP.

BC ranked third for growth in this important measure between 2002 and 2003 behind New Brunswick at 14.0% and Prince Edward Island at 7.1%. The national average was a 3.0% increase.

Note: This exposition is based on preliminary data which will be revised for the December release of the 2004 Benchmarking Report.

Interim Indicator 6 R & D — Economy, Innovation and Education

R & D Spending as a Percent of GDP, BC and Canada



Sources: BC Progress Board; BC Stats; Statistics Canada.

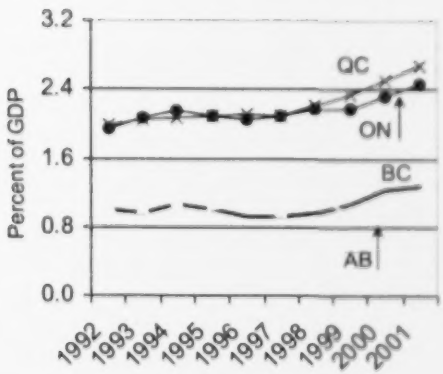
Description

This indicator measures how much is spent on research and development in relation to GDP. It includes the sum of expenditures reported by (or estimated for) the various sectors involved in research and development – government, business, higher education and not-for-profit organizations.

Why it's Important

Spending on research and development (R&D) is a key factor in innovation and the creation of new wealth.

Provinces - R&D Spending



Where BC Ranks (1st Best – 10th Worst)

By Province	1999 5th	2000 4th*	2001 5th
1-Year Progress Check	1998-1999 3rd	1999-2000 2nd*	2000-2001 6th
Period Progress Rank	1991-1999 6th	1991-2000 3rd*	1992-2001 3rd

How Does BC Compare?

In 2001, spending on research and development as a percent of GDP in BC (1.27%) trailed Quebec (2.67%), Ontario (2.47%), Nova Scotia (1.40%) and Manitoba (1.28%). The relative gap between R&D spending in BC and the Canadian average has decreased from 39.2% in 1991 to 36.3% in 2001. However, the gap has increased in absolute terms.

Over the period 1992 to 2001, seven provinces saw their ratio of R&D spending to GDP increase. The largest increases were in Prince Edward Island (68.8%), Quebec (34.9%) and Ontario (27.3%); BC's ratio increased by 26.2%.

In 2001, $6.2 billion was expended on R&D in Quebec, compared to $1.7 billion in BC and $1.5 billion in Alberta. Ontario led the way with $11.2 billion in that year.

Notes: *Does not match the rank in the 2003 Report because of data revisions. This exposition is based on preliminary data which will be revised for the December release of the 2004 Benchmarking Report.

IV. Special Topic: Demographic Change in British Columbia

Setting the Broader Context

Population ageing is a relatively new issue. Human populations, until recently, had low life expectancies, high fertility rates and few people over the age of 65. Other than a period of population decline in Western Europe early in the 20th century, there is no past experience to act as a guide for dealing with issues associated with population ageing.[i] This special topic report is intended to provide an overview of some ageing-related issues that will likely affect British Columbia.

It is important to note the examination presented in this special report is "forward looking"; we cannot foretell with precision what BC's demographic profile will be, in contrast to evaluations of recent final outcome performance such as the Progress Board's benchmarking work. Economic analysis often relies on assumptions that certain factors will remain constant, while other factors of interest will vary. In long-term projections and analysis, many factors are assumed to remain constant with the implicit understanding that most, if not all, will likely change over time. In light of this, the reader is cautioned that long-term demographic projections and those for health care and other costs, are just that – a reasonable projection based on current and expected trends.

Table 1: Projections of Age-Related Spending, % of GDP

	Total Age-Related Spending		
Country	2000	2050	Percentage Point Change, 2000 - 2050
Canada	17.9	26.6	8.7
Denmark	29.3	35.0	5.7
Finland	19.4	27.9	8.5
France	18.0	24.4	6.4
Germany	17.5	25.6	8.1
Japan	13.7	16.7	3.0
Korea	3.1	11.6	8.5
Netherlands	19.1	29.0	9.9
New Zealand	18.7	27.1	8.4
Norway	17.9	31.3	13.4
Spain	15.6	26.1	10.5
Sweden	29.0	32.2	3.2
United Kingdom	15.6	15.8	0.2
United States	11.2	16.7	5.5
Average	21.2	27.0	5.8

Note: "average" includes the countries listed as well as Australia, Austria, Belgium, Czech Republic, Hungary, Italy and Poland.

Source: Casey et al. (2003), page 35.

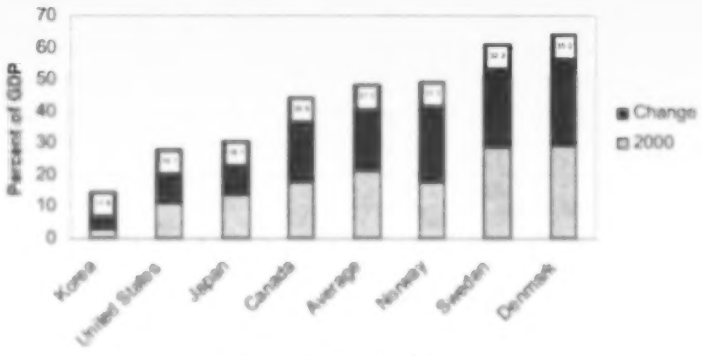
Over the next four decades, many ***developed countries*** will likely experience a significant ageing of their populations. This is driven by the combination of declining fertility rates since the late 1960s and increasing life expectancy in recent years, and is most commonly discussed in relation to the ageing of those born between 1944 and 1964, the baby boom generation. The importance of ageing in Canada and British Columbia is that public finances will be impacted significantly as the baby boom cohort enters retirement.

Age-related spending as a percent of GDP in OECD countries is expected to increase from the 2000 level of approximately 21% to about 27% by 2050. This is largely driven by expected increases in spending on old age pensions and health and long-term care, while spending on education is expected to decrease on average, but only enough to provide a small offset to increases in other social spending areas. Generally speaking, the

OECD definition of age-related spending refers to public expenditure programmes which are affected by demographic shifts."

On average, age-related spending in OECD countries represented 21.2% of GDP in 2000 and is expected to increase by 5.8 percentage points through 2050. ***Canada*** had a below-average level of age-related spending at 17.9% of GDP in 2000 but is expected to experience an above-average increase of 8.7 percentage points to 26.6% of GDP by 2050. Further, unlike most OECD countries, Canada may experience spending pressures beyond 2050, while pressure is expected to peak between 2025 and 2035 for most countries.

Figure 1: Age Related Spending, Current and in 2050

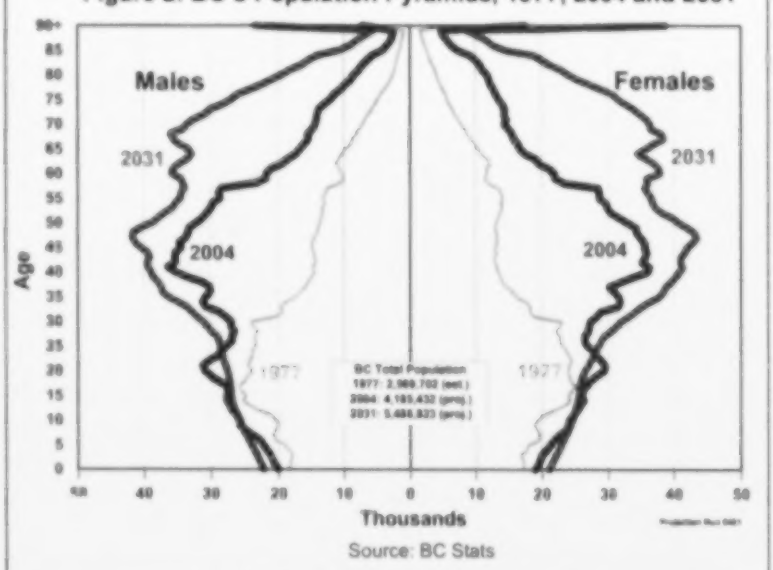


Source: Casey et al. (2003).

Demographic Changes Expected in BC

As with Canada as a whole, there will be significant demographic change in BC in the coming years. The population pyramids for 1977, 2004 and 2031 in figure 2 give a sense of the shifts our population has experienced recently and those BC is expected to experience over the next three decades.

Figure 2: BC's Population Pyramids, 1977, 2004 and 2031



Projections for three other indicators are instructive for demographic change expected in BC in the coming decades: dependency ratios, the fertility rate, and median age.

The ***dependency ratio*** is a crude, age-specific measure of the proportion of a population which is dependent on the working age population. Three are typically reported: child dependency, the ratio of those aged 0 to 17 to those aged 18 to 64; elderly dependency, the ratio of those aged 65 and older to those aged 18 to 64; and total dependency, the sum of child

and elderly dependency. These are crude measures in the sense that some people in the 0 to 17 and 65 and older age groups will be working and some in the 18 to 64 group will not. Nevertheless, these ratios give us a reasonable idea of dependency in a population.

The child dependency ratio in BC has fallen from 58.1 in 1971 to 31.1 in 2004 and is expected to fall further to 26.7 by 2031. A child dependency rate of 31.1 means there are just over 3 children for every 10 workers or people in the 18 to 64 age group.

Table 2: Dependency Ratios in BC

Year	Elderly Dependency	Child Dependency	Total Dependency
1971	1.6	5.8	7.4
1981	1.7	4.2	5.9
1991	2.0	3.8	5.8
2001	2.0	3.4	5.4
2011	2.3	2.7	4.9
2021	3.1	2.6	5.6
2031	4.0	2.7	6.6

Sources: Statistics Canada (1971-2003); BC Stats (2004-2031)

Notes:

Dependency Definitions:

Child = population ages 0-17 divided by population ages 18-64 times 10.

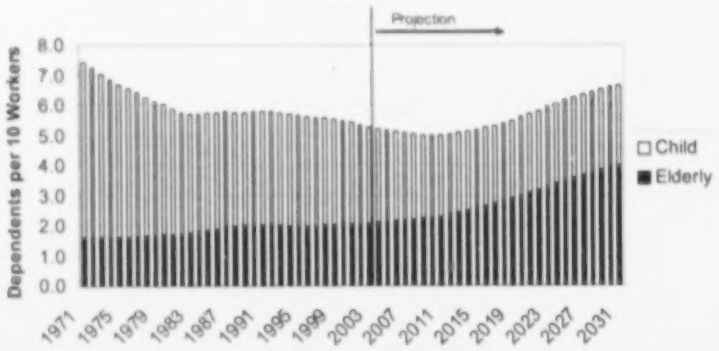
Elderly = population ages 65+ divided by population ages 18-64 times 10.

Total = the sum of child and elderly dependency.

Interpretation: in 1971, there were 5.8 children for every 10 workers in BC.

The elderly dependency ratio in BC has increased from 16.2 in 1971 to 20.8 in 2004 and is expected to reach 39.5 in 2031. This pattern shows that the total dependency ratio has fallen since 1971 and is expected to continue to fall until it reaches 49.6 by 2011. The rate is then expected to increase to 66.2 by 2031, driven by population ageing. British Columbia has a higher share of its population in the 65 and older group (13.3% vs. 12.7% for Canada) and a higher median age (38.4 years versus 37.6 years for Canada). British Columbia's 2001 elderly dependency ratio was 20.4, meaning there were roughly 2 elderly dependents for every 10 workers in BC. In the same year, Canada's was slightly lower at 19.6. British Columbia's elderly dependency ratio is expected to be higher than Canada's through 2017. By 2026, BC's ratio is expected to climb to 39.5 while Canada's is expected to be 41.0.

Figure 3: Elderly, Child and Total Dependency Ratios in BC, 1971 - 2031



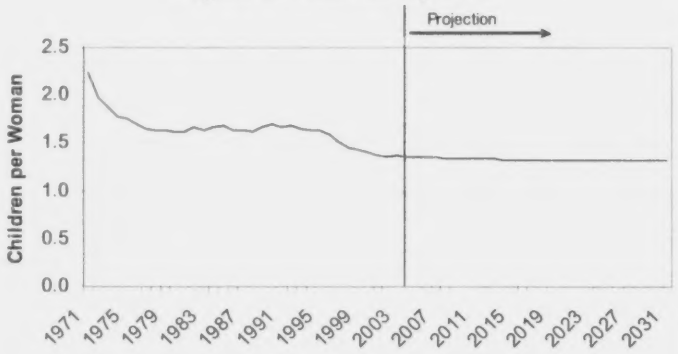
Sources BC Stats; Statistics Canada.

Looking at the total dependency ratio, BC's ageing population does not appear to be a severe problem. However, as discussed below, health care costs are much higher in the

last few years of life; the expected increase in the elderly dependency ratio is one reason why health care costs are projected to rise sharply.

The ***fertility rate*** represents the number of children that 1,000 women are expected to have over their child bearing years, typically defined as between the ages of 15 and 49. The replacement fertility rate, that is the birth level that will keep a population constant with no immigration or emigration is 2,100 births per 1,000 women. British Columbia's fertility rate has fallen from 2,240 (above replacement) in 1971 to 1,357 in 2004 (below replacement) and is expected to fall further to 1,322 by 2031.

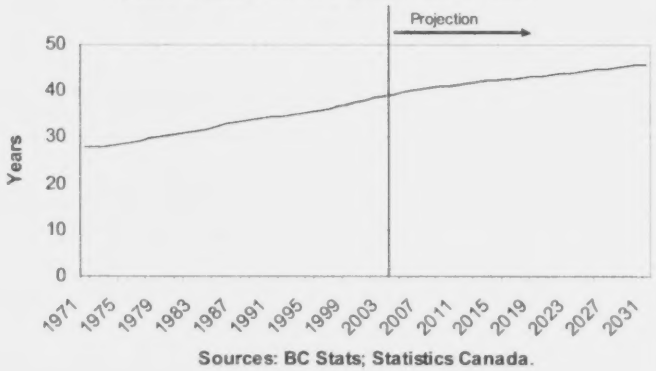
Figure 4: Total Fertility Rate



Sources: BC Stats; Statistics Canada.

The ***median age*** is the age at which half the population is younger and half is older. An ageing population will have a progressively higher median age. In 1971, the median age of BC's population was 27.8 years. By 2004, it had increased to 39.2 years and is expected to increase further, to 45.7 by 2031.

Figure 5: Median Age in BC, 1971 - 2031



Sources: BC Stats; Statistics Canada.

BC's total population is expected to grow from 4.1 million in 2001 to approximately 5.7 million by 2031 (a 38.8% increase), mainly driven by migration. Anticipated demographic change is also interesting when examined in light of the rural to urban shift in population – or ***agglomeration*** – seen in British Columbia and throughout much of the industrialized world.

Population increases are expected in all of BC's eight *development regions*[iii] between 2001 and 2031. The smallest growth (9.0%) is expected in the Kootenay development region where the natural rate of increase (i.e., excess of births over deaths) is expected to become negative within the next few years, but migration is expected to yield overall population growth through 2031. However, this region is expected to have the highest

elderly and total dependency ratios (51.5 and 78.9 respectively) in BC in 2031, when only 2 in 10 people in the Kootenays are expected to be in the 18 to 64 age group.

Table 3: Demographic Information for BC and Select BC Development Regions

	Population Change (Percent)		Share of Population (Percent)			Elderly Dependency Ratio		
	1976 - 2001	2001 - 2031	1976	2001	2031	1976	2001	2031
BC	61.9	38.8				16.0	20.3	39.0
Lower Mainland-Southwest	78.7	46.4	53.0	58.6	61.8	16.7	17.9	35.8
Thompson-Okanagan	59.6	42.9	12.0	11.8	12.2	16.6	28.4	43.3
Kootenay	17.3	8.2	5.1	3.7	2.9	15.2	23.6	51.5

Sources: BC Stats; Statistics Canada.

Above average growth is expected in the Lower Mainland-Southwest and Thompson-Okanagan development regions. The Lower Mainland-Southwest is expected to grow by 46.4% between 2001 and 2031 and increase its share of BC's population from 58.6% to 61.8%. Further, this region is expected to have the lowest total dependency ratio at 61.5 and the second lowest elderly dependency ratio at 35.8. The Thompson-Okanagan region can expect similar growth, 42.9% between 2001 and 2031 and a rise in its share of BC's population from 11.8% to 12.2%. Although this region can expect strong population growth, its natural rate of increase recently turned negative and it can expect relatively high dependency ratios by 2031, 43.3 for elderly and 71.2 in total.

Looking at population growth in BC another way, increases are expected between 2001 and 2031 in all but three of BC's 28 *regional districts*. The regional districts and their expected population decreases are: Powell River, 20,645 in 2001 to 19,774 in 2032 (4.2% drop); Mount Waddington, 13,768 to 13,076 (5.0% drop); Alberni-Clayoquot, 31,718 to 29,073 (8.3% drop). Eight regional districts can expect above-average population growth between 2001 and 2031. The Squamish-Lillooet district's population is expected to more than double from 35,042 in 2001 to 73,985 in 2031. Populations in the Central Okanagan and North Okanagan are projected to increase by 61.8% and 40.1% respectively. Above-average increases are also expected in the Fraser Valley (60.5%), Greater Vancouver (43.2%), Nanaimo (56.0%), Stikine (118.5%) and Sunshine Coast (77.9%) regional districts.

Past, Present and Future – Linking Demographic, Economic and Fiscal Trends

Relative to recent decades, in the 1960s Canada had strong growth in real GDP and productivity, and saw high fertility rates. Unfortunately and perhaps predictably, these favourable conditions did not persist.

Canada's fertility rate reached a peak of almost four children per woman in 1959, and was above average from the mid 1940s through the mid 1960s. By 1966, fertility rates were falling and are currently at historic lows.

National output, as measured by real GNP per capita, had strong gains throughout the 1960s after relatively weak growth in the late 1950s. National output, as measured by real GDP per capita, showed good growth in the 1970s but was modest through the 1980s and 1990s. And, real per capita GDP growth in the 1960s was much stronger than in the 1980s and 1990s. Productivity, as measured by the rate of growth of GDP per hour worked, increased much faster between 1950 and 1973 than it has since 1973.

Table 4: Economic and Demographic Indicators, Period Averages

	1950s	1960s	1970s	1980s	1990s	2000s (proj.)	2010s (proj.)	2020s (proj.)
Fertility Rate (number of children)	3.8	3.1	1.9	1.6	1.7			
Economic Growth (percent)	3.3	2.5	2.8	1.6	1.9			
Productivity Growth (percent)	2.86		1.11					
Dependency Ratios (persons in group relative to workers)								
Child			54.8	41.4	38.3	33.4	28.8	28.7
Elderly			14.4	16.1	18.7	20.3	25.0	34.4
Total			69.3	57.5	56.9	53.7	53.8	63.1

Sources: BC Stats; Statistics Canada; Maddison (2003) Note: (p) = projection

In 1950, the under-15 population group in Canada was 29.7% of the total and the over-64 population group was 7.7%. In 2000, the under-15 group was 19.1% of the total and the over-64 group totaled 12.6%. In 2050, United Nations population figures foretell that only 16.3% of Canada's population will be under the age of 15, while fully 24.3% will be over the age of 64.

From a provincial spending perspective, population ageing will have its largest impact on ***health spending***. Health care funding is primarily a provincial responsibility although the federal government also makes contributions. Until recently, federal health care transfers to the provinces were "hidden" in the Canada Health and Social Transfer (CHST). As of April 1, 2004, the CHST is separated into the Canada Health Transfer and the Canada Social Transfer. Using the most up-to-date data available, the estimated federal cash transfers for health care to the provinces will amount to 17.7% of total government spending on health care in 2003/04.

Several recent studies have examined expected increases in broad Canadian public health care costs. Results vary due to different starting points, data aggregations, assumptions, and model structure but all share a common theme pointing to a significant increase in health care spending relative to GDP beginning in a few years. An international review of age-related spending done by the OECD[iv] with data from member country finance departments projects increases in Canada's health spending to GDP ratio from a baseline of 6.3% in 2000, to 6.9% in 2010, and to 7.8% by 2020. This is echoed in a recent report of the Conference Board of Canada[v] which found that public health spending in Canada will rise from 6.0% of GDP in 2000 to 6.9% of GDP in 2010 and to 7.4% by 2020. Add to this the 2003 annual "Selected Issues for Canada" release from the International Monetary Fund[vi] (IMF) which forecasts public health spending rising from 6.2% of GDP in 2000 to 7.4% in 2010, then to 8.7% by 2020. The IMF study also notes that

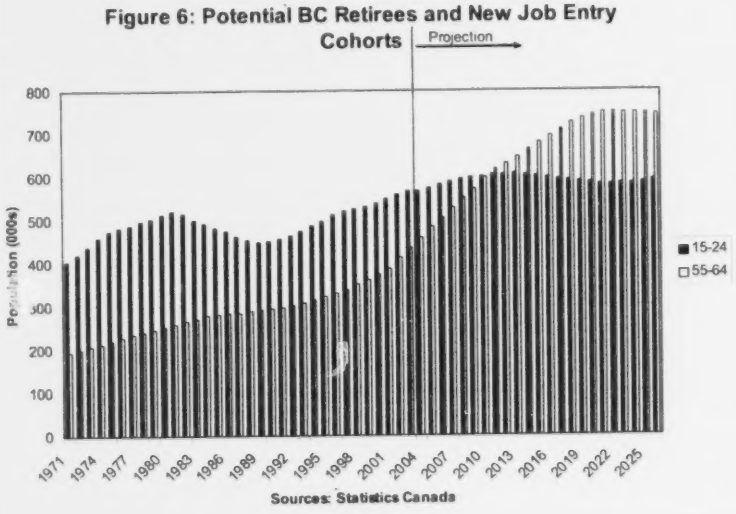
projections without population ageing show only a modest increase in health care spending.

Data from the Canadian Institute for Health Information[vii] show that health care spending in British Columbia was equal to 5.5% of provincial GDP in 1981/82. This was just above the Canadian average of 5.3%. In 1990/91, BC health spending equaled 6.5% of GDP and for 2003/04 is forecast to be 8.0%, representing an increase of 2.7 percentage points in 22 years. Canada and BC posted similar increases through 1993/94, but the Canadian average fell in the late 1990s and is currently forecast to be 6.4% in 2003/04. Part of this divergence is due to BC's relatively weak real per capita GDP growth through the 1990s (0.7% vs. 1.9% for Canada), while part of the difference can be attributed to health care spending growing faster than the Canadian average (117% since 1990/91 in BC vs. 82% for Canada).

The largest spending component for British Columbia is Hospitals, at 38.8% on average between 1993/94 and 2003/04, and includes spending for all care, drugs and professional services that occurs within hospitals. Other large spending categories include Physicians at 21.8% and Other Institutions at 14.1%. On a per capita basis, nominal health expenditures have increased by 51.6% from $1,806 in 1993/94 to $2,740 in 2003/04. The relative importance of Hospitals, Physicians and Other Institution spending means that increases seen in these three categories, when considered together, represent almost three-quarters of total per capita growth in health spending in BC since 1993/94. With the exception of infants, health care costs are significantly higher for the elderly than for younger people. In 2001, 7.3% of public and private health care spending went to those under age 14, while 14.7% was attributable to those over age 85. Average per capita spending for those aged 25 to 64 was $2,354 in 2000/01 compared to $8,029 for those aged 65 to 84 .

Our ageing population will rapidly increase the demand for social services (particularly health care and income support) at the same time as the workforce slows in growth: the number of 0 to 19 year olds today, who will enter the labour force in the next two decades, is 26% smaller than today's number of 40 to 59 year olds, who will retire by 2021. New entrants into the workforce (15-24 year olds) will be out-numbered by those entering retirement by 2011.

Figure 6: Potential BC Retirees and New Job Entry Cohorts



Sources: Statistics Canada

Recent studies undertaken to evaluate age-related spending have tended to focus on health care and pension spending and, if mentioned at all, place little attention on **education spending**. While long-term spending challenges generally relate to health care and pensions, overall education spending is expected to remain constant or decrease slightly according to the OECD[viii]. However, leaving education spending out of the analysis misses the near-term challenges faced in providing sufficient post-secondary education access due to a large expected increase in demand through 2011. The Association of Universities and Colleges of Canada[ix] estimates that by 2011 universities in Canada will need to respond to a projected 20% to 30% increase in demand for university enrollment.

Debt levels and resultant servicing (interest) costs have the potential to be a serious spending issue in British Columbia and Canada as well within the context of an ageing population. Even with BC's and Canada's debt to GDP ratios expected to decline in the future, the existence of a debt burden and the possibility of deficits constitute foregone room for social and other spending when considered in a longer term context. BC's total provincial debt to GDP ratio stood at 26.9% in 2003/04, and this is expected to decline to 25.1% in 2006/07. The 2004 Provincial Budget also shows that debt service costs represent 5.1% of total BC budgetary expenditures in 2003/04, rising to a projected 5.8% in 2006/07. A declining debt stock and resultant interest savings can help pay for – or certainly reduce the impact of – additional age-related spending requirements.

Demographic Change – Challenges Not Insurmountable

While there are significant demographic changes in store for British Columbia, Canada and much of the World, it is important to realize that these changes and the challenges they present are not insurmountable.

An Urban Futures Institute study[x] which focused on BC's future health care spending suggests that universal health care will only be affordable if the province's average economic growth rate improves. Though some of the underlying factors in the study have changed since its release – most significantly BC health expenditures as a percent of GDP have increased – the linkage between improved economic performance and the sustainability of health and social programs remains true. The study suggests that BC's growth – expressed as real GDP per capita – must return to roughly half the annual average rate BC had between 1961 and 1989 to sustain our current system. This equates to a real GDP per capita growth rate of at least 1.1% per year on average against health care spending of 6.8% of GDP. With BC health care spending estimated to be 8.0% of GDP in 2003/04, annual growth in real GDP per capita will need to be above 1.1%, a mark that BC has successfully met in the past few years. Still, this underlines the importance of continuing efforts to improve overall provincial economic performance through improving productivity, attracting more business investment and strengthening BC's export performance.

On the fiscal front, the International Monetary Fund[xi] (IMF) has noted that Canada's long-term fiscal position is generally encouraging but cautions that "these conclusions could be easily overturned if pressures to spend planning surpluses that are expected to

emerge in coming years are not resisted and if measures are not put in place to contain the cost of health care." Looking at provincial governments, a federal finance department working paper[xii] finds that most provinces will be in a fiscally sustainable position over the long term with relatively modest pressures through 2010. The paper also stresses the importance of fiscal prudence: "...the more fiscal discipline a jurisdiction exercises in the short-term, the larger will be its longer-run room to maneuver."

Conclusions and Observations

In the context of looming demographic change, British Columbians must consider how we sustain funding for the current cadre of social programs we have in place. Of the current programs, health care is the most pressing.

Health care costs are expected to continue to rise over the next number of years due to the effects of an ageing population, technological change and the need to train and retain skilled health care workers.

In British Columbia, with a population that is expected to be slightly older than the national average, this will mean that economic growth must improve in order to sustain our current health care system. It also means the province may not receive an equitable share of federal dollars under the new Canadian Health Transfer (CHT) which is funded on a per capita basis. Given BC is projected to have a slightly older population than the Canadian average, there is a solid argument that "aged based" rather than a straight "per capita" based approach to allocating federal transfers should be considered.

In addition to sustaining our current system, British Columbians, like all Canadians, need to decide how the current public health system will evolve and if this evolution will include an expansion or contraction of services under the public plan, an expansion or contraction of private care alternatives, or some combination of the two.

The possibility of a future with large spending pressures and weak economic growth can not be ignored because of the implied impacts on social spending. Rather, the knowledge of these potential adverse effects should inform policy making and generate support for debt/deficit control, ways to improve economic growth, and innovative approaches to health and social service administration.

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[i] Clark, Robert L. (1998) pages 37-38 in Volume 1 of *The New Palgrave: A Dictionary of Economics*, John Eatwell, Murray Milgate and Peter Newman, editors, Palgrave Publishers.

[ii] See the Glossary for a more detailed definition.

[iii] BC's development regions are: Vancouver Island-Coast; Mainland-Southwest; Thompson-Okanagan; Kootenay; Cariboo; North Coast; Nechako; Northeast.

[iv] Dang, T-T, P. Antolin and H. Oxley (2001) *The Fiscal Implications of Ageing: Projections of Age-Related Spending*, OECD Economics Department Working Paper 305, available in OECD Economic Outlook 69.

[v] Brimacombe, Glenn G., Pedró Antunes and Jane McIntyre (2001) *The Future Cost of Health Care in Canada, 2000 to 2020*, The Conference Board of Canada.

[vi] De Masi, Paula, Martin Kaufman, Iryana Ivaschenko and Roberto Cardarelli (2003) *Canada: Selected Issues*, IMF Country Report No. 03/34, Western Hemisphere Department, International Monetary Fund.

[vii] Canadian Institute for Health Information (2003) *Preliminary Provincial and Territorial Government Health Expenditure Estimates, 1974-1975 to 2003-2004.*

[viii] Page 158, Dang et al (2001).

[ix] Association of Universities and Colleges of Canada (2002) *Trends in Higher Education.*

[x] Baxter, David (2000) *A Prescription for Growth: The Demographic and Economic Context for Sustaining British Columbia's Health Care System*, The Urban Futures Institute.

[xi] Page 2, De Masi et al (2003).

[xii] Page 3, Jackson, Harriet and Chris Matier (2003) *Public Finance Implications of Population Ageing: An Update*, Department of Finance (Canada) Working Paper # 2003-03.

V. Preview of Fourth Annual Benchmarking Report - December 2004

The findings presented in this *Interim Report* relate to economic and innovation performance using preliminary data for 2003 available from Statistics Canada. Further inter-jurisdictional indicators of economy, innovation, education, environment, health and society will become available over the balance of 2004 and will be included within our Fourth Annual Benchmarking Report which will be released in December.

Similar to the Board's previous annual benchmarking reports, the December 2004 report will include benchmarking of BC's performance against the Board's North Star 2010 leadership benchmarks, supplemental US and international comparisons (where data is available), regional indicators, and a variety of special topics and expositions related to our core benchmarking and advisory work.

If you have any questions or comments on this *Interim Report* or the work of the BC Progress Board, please contact us through our website: www.bcprogressboard.com.

Appendices

A. Board Members, Staff, and Advisory Group Members

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B. Methodology

Core Targets and Performance Indicators: Benchmarking Framework

To implement the benchmarking framework that forms the core of the Board's Benchmark reporting it is necessary to create statistical measures of the goals and their determinants. The goals are defined in terms of **core target indicators**, and the determinants of these core targets are termed **performance indicators**. As the data in this report is preliminary these goals are defined as **interim core targets** and **interim indicators**. To avoid confusion, the remainder of this discussion uses the original terminology, namely core targets and performance indicators.

Over the course of the fall of 2001, BC Progress Board staff engaged in an iterative process with the Board itself and its Economic Advisory Group to arrive at an array of suitable core target and performance indicators. For measures of environment, health and society, staff consulted with knowledgeable government officials. Following feedback since the 2001 report, the Progress Board has made a few adjustments. To the extent possible, the selection of core target and performance indicators was conducted in accordance with the following criteria:

- The measures must provide timely cross-jurisdictional comparisons;
- The measures must represent an unbiased reporting of the condition (that is, they should be based on neutral and credible third party information);
- The measures should be consistent through time and across jurisdictions; and,
- Generally, the measures must not be collinear with other variables (that is, they should not simply replicate information presented in another measure).

An additional consideration governing the selection of measures for inclusion in the benchmarking exercise continues to be the Board's desire to keep the number of indicators small enough to make the exercise manageable and relatively easy to understand. The set of measures comprised of "*core targets*" and "*performance indicators*" that formed the body of the initial benchmarking report will be tracked from year to year.

To provide an indication of how BC compares with other jurisdictions as well as vis-à-vis its own past performance, we have organized the indicators in this report into three ***"Progress Measures"***:

- ***Rank by Province*** – assesses BC's standing or performance relative to other jurisdictions in the most recent year for which data are available for the indicator. Each jurisdiction is given an ordinal ranking from "best" to "worst" with 1 signifying the best;

- ***One Year Progress Check*** – provides a rank based on progress (or rate of change) recorded during the most recent year for which data are available relative to the previous year. Each jurisdiction is again given an ordinal ranking from "best" to "worst"; and,

- ***Period Progress Rank*** – provides a rank based on progress experienced in each jurisdiction over a longer time period (the average annual rate of progress over the period). Each jurisdiction is again ranked from "best" to "worst" using an ordinal rank with 1 for the best progress.

C. References for Section IV. – Demographics

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D. GLOSSARY OF TERMS

Age-Related Spending
The OECD definition of age-related spending includes: old-age pension programmes, programmes permitting early withdrawal from the labour market (long-term unemployment, disability, and early retirement programmes for labour market reasons), health care, and long-term care for the frail and elderly, family/child benefits and education.

Average Hourly Earnings
Average hourly earnings are based on payroll and hours worked data for employees whose basic wage is expressed as an hourly rate. (About half of employees fall into this category). Information is gathered from all employers in Canada for whom T-4 Supplementary Forms must be completed, except for those in agriculture, fishing and trapping, private household services, religious organizations and military personnel. Data is collected for the last pay week of each month and annual figures are the weighted averages of the twelve monthly surveys. Average hourly earnings are calculated by dividing the total weekly payroll (for employees paid by the hour) by the total weekly paid hours for those employees. Payroll is the gross amount before deductions for income tax, EI, CPP etc. and includes overtime pay, bonuses and other special payments. Excluded are taxable benefits and employer contributions to pension plans, EI, CPP etc. Employee numbers include both full and part-time/part-week.

Baby Boom Period
The Period following World War II, 1946-1966 marked by a dramatic increase in fertility rates and in the absolute number of births.

Business Gross Fixed Capital Formation (Business Investment)
Business Gross Fixed Capital Formation is a measure of business spending on machinery and equipment, building and engineering construction. Also included is the value of current residential construction, alterations and improvements to existing buildings and property transfer costs (such as real estate commissions and property transfer taxes). The constant dollar estimates are inflation adjusted and expressed in terms of a base year, in this case, 1997. Constant dollar estimates are calculated by dividing current dollar data by a price index that measures changes in the prices of these goods and services relative to 1997. Gross Fixed Capital Formation is a component of the Gross Domestic Product.

Dependency Ratio
The ratio of the economically dependent part of the population, persons under 18 years or 65 years and over, to the productive part, persons aged 18-64. The child dependency ratio consists of persons aged 0-17 relative to those aged 18-64. The elderly dependency ratio consists of persons aged 65 and over to those aged 18-64. The total dependency ratio is the sum of the child and elderly dependency ratios.

Employment to Population Ratio (15 to 64)
The employment to population ratio (15 to 64) is the number of employed persons aged 15 to 64 (i.e. working for pay or profit, doing unpaid work contributing to the operation of a family farm or business or with a job but absent from work in the survey week) expressed as a percentage of the population aged 15 to 64. Excluded are persons in institutions, full-time members of the Armed Forces and persons living on Indian Reserves. Annual numbers are the average of the twelve monthly survey results.

Fertility Rate
Fertility Rates (Total Fertility Rates or TFRs typically) represent the average number of births 1,000 women would have if their lifetime fertility was the same as the ASFRs (the average number of births to 1,000 women of the specific age group). All figures are calculated using the average of two consecutive July 1st populations and Census Year (July 1 to June 30) period births of the year stated.

Labour Productivity (Business Sector)
Labour productivity is a measure of the overall efficiency of the economy. It is calculated as the ratio of constant dollar GDP (or output) in the business sector to total worker-hours (a measure of the quantity of labour used in production). Worker-hours are equal to the number of people employed times average hours worked in a year.

The labour productivity estimates are for the business sector, which includes all industries in the economy except for government, health care, education, and the imputed rental income component of GDP. These industries are excluded because their output (or much of their output) is not a service that is bought or sold so it has no market valuation. GDP measures for these industries are largely based on wage data so by definition, there can be little or no productivity growth. Imputed rental income is excluded because it is a measure of the potential rental income that is foregone by homeowners who choose to live in, rather than rent out, their property, and does not have any corresponding employment.

Although labour productivity measures are commonly used because they are relatively easy to calculate, they are an imperfect measure of productivity change over time. Labour, capital and technological change all play a role in economic growth. Labour productivity change may be the result of either more efficient use of labour inputs, or changes in the amount or efficiency with which capital inputs (such as machinery and equipment) are used in production.

When comparing productivity among jurisdictions, it is important to take into account differences in industrial structure as some industries by their very nature will have higher labour productivity than others. For example, labour productivity in personal service industries will by definition be lower than in an industry such as oil refining, where production is capital intensive.

Median Age
The median age is that for which exactly one half of the population is older and one half is younger.

Real Gross Domestic Product (GDP) Per Capita ($1997)
Real Gross Domestic Product (GDP) per capita is a measure of current economic output (as measured by Gross Domestic Product, or GDP) expressed on a per person basis. GDP is the value added to the economy by the current productive activities of individuals, businesses, governments and non-residents (who may purchase and sell goods and services to British Columbians). The provincial GDP includes all activities that take place within its borders. The "real" or constant dollar estimates are inflation adjusted and expressed in terms of a base year, in this case, 1997. Constant dollar estimates are calculated by dividing current dollar data by a price index that measures changes in the prices of specific goods and services relative to 1997. Thus "real" GDP measures real change in the size of the economy by excluding the change which is the result of inflation. The July 1 population estimate is used to calculate the per capita values.

Real Personal Disposable Income (PDI) Per Capita ($1997)
Real Personal Disposable Income (PDI) per capita is the value, adjusted to remove the effects of inflation, of personal income left after the payment of income tax, contributions to social insurance plans (e.g., employment insurance premiums) and various other transfers to government such as medical insurance premiums, expressed on a per person basis. Personal income includes all income received by individuals (and societies of individuals such as trusteed pension plans) who are resident in the province, whether earned at home or elsewhere. This includes both earnings and transfer income: wages and salaries; employer contributions to pensions, EI, CPP, WCB etc; net income of farm operators and unincorporated businesses; interest and miscellaneous investment income; government transfers such as welfare, OAS and EI benefits; and transfers from corporations (e.g., forgiveness of bad debts) and individuals. Constant (real) dollar estimates are calculated by dividing current dollar data by a price index that measures changes in the prices of consumer goods and services relative to 1997. The July 1 population estimate is used to calculate the per capita values.

Research and Development as a Percent of GDP
Research and Development (R &D) as a percent of GDP is the sum of expenditures reported by (or estimated for) performing sectors - government, business, higher education and private non-profit organizations - for research and development activity in Canada expressed as a percentage of the Gross Domestic Product. The Gross Domestic Product is the value added to the economy by the current productive activities of individuals, businesses, governments and non-residents.

Top Marginal Tax Rate
To arrive at the top marginal personal income tax rate, the peak marginal tax rate at the provincial level is added to the peak rate set by the federal government.

Total Exports per Capita ($1997)
Total exports per capita is the ratio of the total value of exports in a given calendar year to the population as of July 1st in that year. Exports include all types of goods and services that are produced in a given province but consumed outside its boundaries. Service exports are primarily services such as transportation, storage and insurance, which are provided to non-residents who export or import goods that are transported through a province, or enter or leave the country through its customs ports. Provinces engage in trade with other regions of Canada, as well as with international trading partners, so both inter-provincial and international exports are included in the total.

E. *Data Tables*

Canadian Data

ICT1: Real GDP per capita ($1997)											
	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2003 Rank
BC	28,748	28,645	28,614	28,968	29,094	29,816	31,024	30,696	31,143	31,572	4
AB	35,279	35,936	36,129	37,825	38,861	38,678	40,185	40,553	40,385	40,742	1
SK	26,714	26,889	27,537	28,640	29,875	30,018	31,200	31,218	30,903	32,315	3
MB	24,708	24,645	25,289	26,186	27,265	27,574	28,721	28,959	29,452	29,689	6
ON	30,365	31,058	31,023	32,004	33,141	35,201	36,617	36,595	37,290	37,327	2
QC	24,720	25,041	25,192	25,902	26,647	28,193	29,371	29,744	30,753	31,068	5
NB	21,345	22,015	22,134	22,384	23,266	24,717	25,492	25,765	26,787	27,481	8
NS	20,594	20,912	20,967	21,843	22,671	23,864	24,815	25,508	26,568	26,770	9
PE	19,083	20,148	20,545	20,572	21,558	22,392	23,043	23,063	24,329	24,655	10
NF	18,577	19,232	18,590	19,116	20,571	21,963	23,483	23,964	27,793	29,571	7
Canada	27,956	28,444	28,603	29,516	30,471	31,896	33,262	33,538	34,262	34,553	n/a
Sources: BC Stats; Statistics Canada											

ICT1: Growth Rate of Real GDP per capita (Percent)												
	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2003 Rank	Period Progress Rank
BC	(0.2)	(0.4)	(0.1)	1.2	0.4	2.5	4.1	(1.1)	1.5	1.4	4	10
AB	4.9	1.9	0.5	4.7	2.7	(0.5)	3.9	0.9	(0.4)	0.9	7	9
SK	4.1	0.7	2.4	4.0	4.3	0.5	3.9	0.1	(1.0)	4.6	2	7
MB	3.4	(0.3)	2.6	3.5	4.1	1.1	4.2	0.8	1.7	0.8	8	8
ON	4.6	2.3	(0.1)	3.2	3.6	6.2	4.0	(0.1)	1.9	0.1	10	6
QC	3.9	1.3	0.6	2.8	2.9	5.8	4.2	1.3	3.4	1.0	6	4
NB	1.9	3.1	0.5	1.1	3.9	6.2	3.1	1.1	4.0	2.6	3	3
NS	0.1	1.5	0.3	4.2	3.8	5.3	4.0	2.8	4.2	0.8	9	5
PE	3.9	5.6	2.0	0.1	4.8	3.9	2.9	0.1	5.5	1.3	5	2
NF	5.3	3.5	(3.3)	2.8	7.6	6.8	6.9	2.0	16.0	6.4	1	1
Canada	3.7	1.7	0.6	3.2	3.2	4.7	4.3	0.8	2.2	0.8	n/a	n/a
Sources: BC Stats; Statistics Canada												

ICT2: Real Per Capita Personal Disposable Income ($1997)													
	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2003 Rank	1-Year Progress Check	Period Progress Rank
BC	18,837	18,829	18,480	18,484	18,491	18,846	19,373	19,547	19,576	19,495	3	8	10
AB	18,807	19,045	18,865	19,611	20,093	20,253	21,231	22,881	23,047	23,161	1	5	2
SK	15,309	16,118	16,735	15,745	16,260	16,793	17,126	17,340	17,252	17,651	8	2	5
MB	17,193	17,368	17,556	17,194	17,833	17,959	18,416	18,604	18,949	18,717	5	9	8
ON	19,615	19,723	19,308	19,628	20,101	20,560	21,502	21,355	21,657	21,608	2	7	7
QC	16,548	16,834	16,808	16,769	16,995	17,394	18,039	18,453	19,095	19,304	4	3	3
NB	15,643	16,106	15,990	15,991	16,610	17,159	17,455	17,645	17,698	17,822	7	4	4
NS	16,292	16,513	16,210	16,480	17,064	17,562	17,786	18,249	18,403	18,451	6	6	6
PE	15,576	15,816	15,465	15,561	15,867	16,412	16,753	16,805	17,455	16,911	10	10	9
NF	14,494	14,746	14,514	14,426	14,922	15,383	15,877	16,485	17,053	17,467	9	1	1
Canada	18,096	18,299	18,114	18,262	18,636	19,039	19,798	20,087	20,414	20,445	n/a	n/a	n/a
Sources: BC Stats; Statistics Canada													

ICT3: Employment rate (employment to population ratio, 15 to 64 year olds)													
	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2003 Rank	1-Year Progress Check	Period Progress Rank
BC	70.8	70.6	69.6	69.7	68.6	69.4	70.2	69.1	69.1	70.0	6	5	10
AB	73.3	74.2	74.9	75.8	76.5	76.3	76.7	77.2	77.4	77.8	1	8	6
SK	72.5	72.6	72.1	73.5	74.0	74.1	74.5	73.2	74.8	75.8	3	4	9
MB	71.8	73.2	72.9	73.6	74.7	75.1	76.0	76.1	77.1	76.8	2	9	7
ON	68.5	68.9	68.8	69.5	70.8	72.2	73.3	72.9	72.8	73.4	4	6	8
QC	62.6	63.2	62.7	63.3	64.7	66.0	67.3	67.6	69.4	69.9	7	7	2
NB	59.6	61.2	60.3	61.0	62.3	64.1	64.8	64.5	66.4	66.1	9	10	5
NS	61.0	61.4	61.1	61.7	63.8	64.8	65.8	66.1	66.4	67.3	8	3	4
PE	63.3	64.5	65.4	65.1	66.1	66.2	68.9	69.2	69.7	71.0	5	1	3
NF	48.4	49.4	47.8	48.8	50.5	53.6	53.3	55.5	56.2	57.2	10	2	1
Canada	67.1	67.6	67.3	68.0	68.9	70.1	71.1	70.9	71.5	72.1	n/a	n/a	n/a
Sources: BC Stats; Statistics Canada													

II1: Real Average Hourly Wage ($1997)													
	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2003 Rank	1-Year Progress Check	Period Progress Rank
BC	16.14	16.44	16.50	16.52	16.38	15.99	16.29	16.24	16.02	15.67	2	6	6
AB	15.24	14.65	14.87	15.07	15.69	16.10	15.73	15.57	15.40	14.99	3	8	7
SK	14.63	14.32	14.04	14.36	14.40	14.37	14.33	14.06	13.95	13.81	6	3	8
MB	14.40	14.26	14.06	13.92	13.98	14.07	14.06	13.87	13.93	13.75	7	4	10
ON	16.38	16.19	16.43	16.09	16.27	16.39	16.35	16.20	16.15	15.94	1	5	4
QC	15.59	15.36	15.49	15.41	15.00	14.75	14.81	14.78	14.76	14.33	5	10	9
NB	13.32	13.25	13.57	13.54	13.88	13.85	13.96	13.76	13.75	13.72	8	1	3
NS	13.33	13.05	13.23	13.34	13.82	13.93	14.15	14.06	13.88	13.52	9	7	5
PE	11.27	11.76	12.34	12.08	12.42	12.57	12.17	12.06	12.26	11.93	10	9	2
NF	13.55	13.09	13.73	13.54	14.17	14.42	14.36	14.49	14.59	14.50	4	2	1
Canada	15.71	15.54	15.70	15.58	15.62	15.61	15.62	15.51	15.44	15.13	n/a	n/a	n/a
Sources: BC Stats; Statistics Canada													

II2: Labour Productivity - Real GDP Per Hour Worked in the Business Sector ($1997 Per Hour)													
	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2003 Rank	1-Year Progress Check	Period Progress Rank
BC	28.8	29.1	29.0	29.4	29.9	30.4	30.7	31.9	32.6	32.5	6	10	10
AB	35.6	35.5	35.2	37.2	38.3	37.9	38.2	38.2	38.7	39.3	1	8	9
SK	27.4	27.3	28.4	29.6	31.2	31.1	31.5	31.9	31.1	33.6	5	1	2
MB	25.3	25.0	26.0	26.5	27.5	27.5	28.4	29.2	30.5	30.8	7	9	5
ON	31.0	32.1	31.7	32.2	32.9	34.5	35.6	35.7	36.9	37.5	2	7	3
QC	28.4	28.6	29.1	29.5	30.1	31.1	32.3	33.8	34.3	35.4	3	5	4
NB	23.5	23.7	24.5	24.2	25.1	25.8	26.5	27.2	27.2	28.2	8	3	6
NS	22.1	22.3	22.1	22.8	22.9	23.6	24.2	25.2	26.3	27.0	9	6	7
PE	18.6	19.5	19.0	18.8	20.0	20.7	20.0	19.8	20.8	21.4	10	4	8
NF	25.3	25.7	25.0	24.9	26.2	26.1	28.3	27.7	31.9	33.8	4	2	1
Canada	29.9	30.4	30.4	31.0	31.8	32.7	33.6	34.3	35.1	35.9	n/a	n/a	n/a
Sources: BC Stats; Statistics Canada													

II3: Exports of Goods and Services (International & Interprovincial) Per Capita, $1997													
	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2003 Rank	1-Year Progress Check	Period Progress Rank
BC	12,167	12,520	12,336	12,585	12,827	13,854	14,905	13,904	13,761	13,723	8	4	10
AB	19,181	19,844	21,363	22,248	23,080	23,337	25,090	24,216	23,886	23,442	2	8	9
SK	15,982	15,758	16,533	18,889	19,505	19,831	21,456	21,254	20,355	20,615	3	3	7
MB	12,705	13,163	13,874	15,595	16,809	17,184	18,049	18,536	18,444	18,135	5	6	3
ON	18,311	19,521	20,357	21,602	22,906	25,187	26,688	25,375	25,501	24,895	1	9	8
QC	12,362	12,888	13,125	14,177	15,036	16,696	18,399	17,936	17,748	17,122	7	10	5
NB	13,331	14,240	14,575	15,022	15,863	16,820	17,465	19,191	20,119	19,779	4	7	2
NS	8,403	8,575	9,311	10,050	10,368	10,930	11,862	12,367	12,739	12,619	10	5	6
PE	8,702	9,010	9,193	10,146	11,552	12,502	13,034	12,980	13,168	13,507	9	2	4
NF	6,488	7,486	7,490	8,120	9,638	10,637	12,020	12,014	15,660	17,158	6	1	1
Canada	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Sources: BC Stats; Statistics Canada													

II4: Top Marginal Personal Income Tax Rates (Percent)													
	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2004 Rank	1-Year Progress Check	Period Progress Rank
BC	54.20	54.20	54.20	54.20	52.30	51.30	45.70	43.70	43.70	43.70	2	1	1
AB	46.10	46.10	46.10	45.60	45.20	43.70	39.00	39.00	39.00	39.00	1	1	3
SK	52.00	52.00	52.00	51.60	50.80	49.70	45.00	44.50	44.00	44.00	3	1	2
MB	50.40	50.40	50.40	50.10	49.00	48.10	46.40	46.40	46.40	46.40	5	1	8
ON	53.20	52.90	51.60	50.30	48.80	47.90	46.41	46.41	46.41	46.41	6	1	5
QC	52.90	52.90	52.90	52.60	52.20	50.70	48.72	48.22	48.22	48.22	9	1	7
NB	51.40	51.40	51.10	50.40	49.70	48.80	46.84	46.84	46.84	46.84	7	1	6
NS	50.30	50.30	50.00	49.70	49.20	48.80	47.34	47.34	47.34	45.69	4	1	4
PE	50.30	50.30	50.30	50.30	49.60	48.80	47.37	47.37	47.37	47.37	8	1	9
NF	51.30	53.30	53.30	53.30	52.90	51.30	48.64	48.64	48.64	48.64	10	1	10
Sources: BC Stats; BC Ministry of Finance; KPMG													

II5: Business Gross Fixed Capital Formation as a Percent of GDP

	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2003 Rank	1-Year Progress Check	Period Progress Rank
BC	19.1	17.7	16.8	18.6	16.9	16.5	16.3	17.5	16.7	17.7	6	3	10
AB	22.0	21.5	21.8	26.6	27.9	26.2	29.2	30.9	30.0	30.2	1	7	2
SK	16.2	17.4	19.1	24.9	20.6	20.8	20.4	19.7	19.1	18.8	3	9	5
MB	12.2	12.9	14.1	16.0	15.4	15.6	15.1	15.4	15.4	15.3	10	8	6
ON	13.3	12.8	13.9	15.7	15.5	15.9	15.6	15.6	15.0	15.6	8	5	7
QC	14.2	12.8	13.6	14.3	14.7	15.2	15.2	14.9	14.9	15.4	9	4	8
NB	11.7	12.3	13.3	12.9	14.8	17.9	18.1	15.3	14.7	16.7	7	1	4
NS	13.0	12.4	13.5	17.6	18.7	22.3	18.8	20.4	19.6	18.8	4	10	1
PE	16.1	17.5	18.0	13.3	13.3	15.5	16.2	16.2	16.8	18.0	5	2	3
NF	24.4	24.7	20.7	24.1	21.9	26.8	22.7	22.0	19.9	20.7	2	6	9
Canada	15.6	14.8	15.5	17.5	17.3	17.4	17.5	17.8	17.2	17.7	n/a	n/a	n/a

Sources: BC Stats; Statistics Canada

II6: Gross Expenditures on R&D as a Percent of GDP

	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2001 Rank	1-Year Progress Check	Period Progress Rank
BC	1.01	0.97	1.06	1.01	0.92	0.91	0.96	1.07	1.23	1.27	5	6	3
AB	1.04	1.03	1.10	1.06	1.02	0.98	1.10	0.99	0.93	1.00	9	1	8
SK	1.11	1.02	0.97	0.95	0.80	0.97	0.94	1.05	1.11	1.16	6	5	5
MB	1.15	1.20	1.20	1.11	1.03	0.90	0.97	1.20	1.20	1.28	4	2	6
ON	1.94	2.08	2.15	2.10	2.05	2.10	2.18	2.17	2.33	2.47	2	4	4
QC	1.98	2.04	2.07	2.10	2.12	2.10	2.22	2.34	2.50	2.67	1	3	2
NB	0.87	0.88	0.88	0.85	0.90	0.76	0.89	0.87	0.79	0.74	10	10	10
NS	1.29	1.34	1.42	1.37	1.32	1.26	1.45	1.50	1.49	1.40	3	8	7
PE	0.60	0.69	0.67	0.60	0.57	0.57	0.77	0.82	1.07	1.01	7	9	1
NF	1.15	1.14	1.06	0.95	1.00	0.98	1.06	1.04	1.00	1.00	8	7	9
Average	1.62	1.68	1.73	1.70	1.65	1.66	1.76	1.79	1.89	2.00	n/a	n/a	n/a

Sources: BC Stats; Statistics Canada

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